

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 IO-13 EB-08 AID-05 TRSE-00
OMB-01 CIAE-00 INR-10 NSAE-00 SS-15 SSO-00 NSCE-00
INRE-00 AGRE-00 FDRE-00 HA-05 SP-02 L-03 COME-00
HEW-04 OES-07 DODE-00 /096 W
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O 091702Z JUN 78

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC NIACT IMMEDIATE 296

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY OTTAW IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 KINSHASA 6040

BRUSSELS PASS USEC

E.O. 11652: GDS

TAGS: EAID, CG

SUBJECT: CALCULATION OF ZAIRE'S SHORT-TERM ESSENTIAL IMPORTS AND
ASSISTANCE NEEDS

REF: A) PARIS 17932, B) KINSHASA 5863 (NOTAL), C) KINSHASA 5675
(NOTAL

1. SUMMARY: REPRESENTATIVES OF GROUP OF FIVE PLUS EEC
REACHED AGREEMENT CONCERNING ZAIRE'S FOOD AND PETROLEUM REQUIRE-
MENTS. MEDICAL AND SPARE PARTS HAVE NOT BEEN CONSIDERED
JOINTLY. EMBASSY BELIEVES THAT BELGIAN ESTIMATE OF \$18 MILLION
FOR MEDICAL SUPPLIES (REFTEL A) IS REALISTIC. OUR ESTIMATE OF
SPARE PARTS REQUIREMENT IS \$10 MILLION PER MONTH. END SUMMARY

2. KINSHASA EMBOFFS OF BELGIUM, UK, GERMANY, FRANCE, US AND
EEC AGREED UPON FOLLOWING PAPER WHICH BELGIANS WILL PRESENT AT
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BRUSSELS MEETING (OUR TRANSLATION):
BEGIN QUOTE

SUBJECT: FOOD ASSISTANCE TO ZAIRE
COMPLETE AGREEMENT OF PARTICIPANTS HAS BEEN REACHED ON FOLLOWING:
(1) ESTIMATES OF ZAIRIAN IMPORTS IN 1977 OF:
-CORN: 120,000 MT; \$18M, IF IMPORTED FROM THE SOUTH

"RICE: 60,000 MT; \$30 M

-MEAT: 20,000 MT; \$18.1M, IF IMPORT FROM THE SOUTH

NOTE: SOURCE OF DERIVED PROTEIN:

-DRIED FISH PLUS CANNED FISH: 42,000 MT; \$38.1M, MOST OF IT FROM SOUTH AFRICA.

NOTE: 30,000 MT DRIED FISH PLUS 100,000 CASES PILCHARDS PLUS SARDINES.

-SUGAR: 20,000 MT; \$4.7M

-WHEAT: 120,000 MT; \$24M

-WHEAT FLOUR: 12,000 MT; \$3.5M

TOTAL: \$136.4M

(2) ESTIMATE OF ZAIRIAN IMPORTS IN 1978 OF:

(A) -CORN, MEAT, SUGAR, RICE: LARGER THAN IN 1977 DUE TO POORER CROPS.

FOR SUGAR: ESTIMATE AN ADDITIONAL 20,000 MT

-DRIED AND CANNED FISH, WHEAT, WHEAT FLOUR; SAME QUANTITIES AS IN 1977

(B) OTHER FACTORS WILL CAUSE THIS ESTIMATE TO INCREASE EVEN MORE:

-NORMAL POPULATION GROWTH

-UNDERNOURISHMENT PERSISTING EVERYWHERE IN ZAIRE AND FAMINE IN BAS ZAIRE (DROUGHT JAN-JUNE 1978), BANDUNDU (DROUGHT JAN-JUNE 1978 AND POLICE OPERATIONS), SHABA (EXCESS OF RAIN JAN-JUNE 1978).

-CONSEQUENCES OF POSSIBLE SUBSTITUTIONS (MIXING CORN, WHEAT; RICE, MANIOC) THOUGH EACH GROUP OF POPULATION IN ZAIRE EATS ALMOST UNIQUELY ITS SPECIFIC FOOD.

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-IF PUBLIC AUTHORITIES MAINTAIN MONEY AT SAME LEVEL, PURCHASING POWER WOULD INCREASE WITH SALARY INCREASE, SUPPOSING SOME SATURATION OF THE MARKETS, ENOUGH TO LOWER PRICES. IF FOOD PRODUCTS ARE OFFERED AT ACTUAL PRICES LOWER THAN THE PRESENT ONES, PURCHASES BY THE POPULATION WOULD BE ALL THE GREATER. INDEED, FEEDING NEEDS ARE GREATER IN THIS COUNTRY AT THE PRESENT TIME THAN WHAT PEOPLE CAN ACTUALLY BUY.

--POSSIBILITY OF POOR CROPS IN 1978 IN ZAMBIA AND RHODESIA.

-POPULATION MOVES, HAVING TO VACATE ANGOLAN BORDER AREA FOR 100 KILOMETERS;

-STOCKS OF SEVERAL FOOD PRODUCTS BECOMING EXHAUSTED AT DIFFERENT TIMES OF YEAR.

(3) SPEED OF ARRIVAL OF PRODUCE (A) IN KINSHASA/BAS ZAIRE,

(B) IN LUBUMBASHI, LIKASI AND KOLWEIZ:

(A) FOLLOWING NORMAL PROCEDURE, THE EEC DELEGATION IN KINSHASA NOTES THAT IT TAKES TWO MONTHS BETWEEN FINAL ORDER ISSUED IN KINSHASA, AND ARRIVED IN MATADI; THEN ONE MUST COUNT ON ONE MONTH FROM MATADI TO KINSHASA AND UP TO TWO MONTHS TO REACH THE INTERIOR FROM KINSHASA.

(B) TRANSPORTATION CARE OF THE DONORS, MEANING AT THEIR OWN EXTRA EXPENSE. WILL PARTICIPATING COUNTRIES BE ABLE TO BEAR THOSE EXPENSES? IT SEEMS THAT THE EEC CANNOT, UNLESS UNDER

EXCEPTIONAL PROCEDURES.

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(C) ANNOUNCEMENT OF THE ARRIVAL OF A SUFFICIENT TONNAGE OF BASIC FOOD SUPPLIES--EVEN THOUGH NOT ENOUGH TO MAKE UP FOR THE LACK OF SUPPLIES (WHICH CANNOT BE EXACTLY FIGURED)--WOULD HAVE A DEFINITE IMPACT ON THE POPULATION, BOTH FROM A PSYCHOLOGICAL AND A POLITICAL POINT OF VIEW AND COULD ALSO RESULT IN BRINGING TO MARKET RIGHT AWAY SPECULATIVE STOCKS WHICH ARE PRESENTLY BEING HIDDEN.

-INORDER TO DETERMINE WHAT ARE URGENT ARRIVAL (DATES) AND SUFFICIENT TONNAGES TO BE RAISED UNDER THE TITLE OF FOOD ASSISTANCE (TAKING INTO ACCOUNT MOREOVER THE UNKNOWNNS RELATIVE TO PRIVATE TRADE) ONE SHOULD FIRST KNOW WHAT IS ALREADY ON THE WAY.

(4) EMERGENCY FOOD ASSISTANCE CANNOT BE CARRIED OUT BY SPECIAL CREDITS, THROUGH NORMAL CHANNELS IN ONE'S OWN COUNTRY OR ELSEWHERE. ONE MUST THEREFORE PROVIDE THE MERCHANDISE AND FORWARD IT IN THE MOST EFFICIENT MANNER POSSIBLE. ON THE OTHER HAND, MEDIUM-TERM FOOD ASSISTANCE COULD ENJOY A
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CERTAIN EXTRA FLEXIBILITY THROUGH THE USE OF SPECIAL CREDITS.
(T) THE FORWARDING OF IMPORTED SUPPLIES AS WELL AS THE
MARKETING OF LOCAL AGRICULTURAL PRODUCTS CURRENTLY BLOCKED IN
THE INTERIOR IMPLY SUPPLYING FUEL AT A MINIMUM MONTHLY COST
OF \$12M.

END QUOTE

3. GROUP DID NOT CONSIDER MEDICINES BUT, ACCORDING TO BEST
INFORMATION AVAILABLE TO US, WE BELIEVE BELGIAN ESTIMATE OF
\$12 MILLION ANNUALLY FOR MEDICINES AND \$6 MILLION ANNUALLY
FOR OTHER MEDICAL EQUIPMENT AND SUPPLIES (REF A)
IS REALISTIC.

4. GROUP ALSO DID NOT CONSIDER SPARE PARTS. EMBASSY BELIEVES
THAT SPARE PART REQUIREMENTS ARE APPROXIMATELY \$10 MILLION
PER MONTH-APPROXIMATELY \$4 MILLION IN SPARE PARTS, \$2.5
MILLION IN TRUCKS, AND \$2 MILLION IN INDUSTRIAL RAW
MATERIALS FROM PRIOR CIP LOANS ARE SCHEDULED TO ARRIVE WITHIN
NEXT FEW MONTHS.

5. FOR PAST TWO YEARS, GOZ HAS MADE AVAILABLE APPROXIMATELY
\$8 MILLION MONTHLY FOR POL REQUIREMENTS. GECAMINES HAS
PURCHASED POL REQUIREMENTS FROM ITS OWN RESOURCES OF APPROXI-
MATELY \$1 MILLION MONTHLY, FOR TOTAL AVERAGE MONTHLY IMPORTS
OF APPROXIMATELY \$9 MILLION. INDUSTRY REPRESENTATIVES
ESTIMATE THAT DEMAND IS APPROXIMATELY \$12 TO \$14 MILLION.

6. WITH REGARD TO CONSENSUS DOCUMENT, WE HAVE FOLLOWING
COMMENTS: ABOVE CALCULATIONS ARE BASED ON IMPORTS OF RECENT
YEARS. MISSION'S VIEW IS THAT TO RECTIFY PRESENT AND CHRONIC
ECONOMIC DIFFICULTIES, ANY ASSISTANCE PROVIDED SHOULD BE AS
"LAST RESORT" SUPPLEMENT TO GOZ'S OWN PRODUCTION EFFORTS AND
RESOURCE REALLOCATION TO PREVENT PRECIPITOUS SLIDE IN PRESENT
PER CAPITA CONSUMPTION LEVELS. TO ASSURE THIS BASIC AIM,
WITHOUT RECOURSE TO MASSIVE EXTERNAL INPUTS, WOULD REQUIRE
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RESTRUCTURING DISTRIBUTION, PRICING AND RESOURCE ALLOCATION
MECHANISMS. ALTHOUGH REFS B AND C SPELLED OUT DESIRABLE REFORMS, WE
BELIEVE IT APPROPRIATE TO EMPHASIZE FOLLOWING DIFFICULTIES
IN EFFICIENTLY UTILIZING ASSISTANCE UNDER STATUS QUO:

A. LARGE DISPARITIES IN URBAN INCOME DISTRIBUTION MAKE IT
UNLIKELY THAT SIGNIFICANT PORTION OF POPULATION WILL BE ABLE
TO AFFORD ADDITIONAL PURCHASES AT PREVAILING MARKET PRICES.
QUANTITIES DISCUSSED ABOVE (WITHOUT GOVERNMENT POLICY REFORMS)
UNLIKELY TO PROVIDE SUFFICIENT DOWNWARD PRESSURE ON
PRICES IN MAJOR POPULATION CENTERS TO PUT BASIC ITEMS WITHIN
REACH OF POORER SEGMENTS OF POPULATION WHO HAVE BEEN MOST
ADVERSELY AFFECTED BY GOVERNMENT'S MISMANAGEMENT OF ECONOMY.
B. HYPERINFLATIONARY ASPECTS OF ECONOMY, SHARP WEEKLY PRICE

JUMPS, UNABATED INCREASES IN MONETARY STOCK HAVE PROBABLY INCREASED DEMAND FOR BOARDING AND INVENTORY. IN ADDITION, INAPPROPRIATE RELATIVE PRICES AND GOVERNMENT POLICIES MAKE SMUGGLING OF IMPORTED GOODS TO NEARBY "HARD CURRENCY" BRAZZAVILLE EXTREMELY ATTRACTIVE. (FYI: LOCAL GOODYEAR UNABLE TO KEEP UP WITH DEMAND, LARGE PART OF WHICH ORIGINATES ACROSS ZAIRE RIVER).

7. WITH ADEQUATE SUPPLY TRANSPORT EQUIPMENT, APPROPRIATE POLICY/ADMINISTRATIVE REFORMS WILL ENABLE LOCAL PRODUCTION NOT NOW ENTERING MARKETING CHANNELS TO HELP MEET INTERNAL DEMAND. (FYI: WE ARE INFORMED THAT 10,000 MT OF RICE, PRODUCED UNDER AUSPICES OF CHINESE TECHNICAL ASSISTANCE, ARE ROTTING IN YANGAMBI AREA (NEAR KISANGANI) DUE, IN PART, TO LACK OF ADEQUATE TRANSPORT FACILITIES).

8. WE BELIEVE THAT WHATEVER ASSISTANCE PROVIDED SHOULD BE IN MEASURED PROPORTION TO GOZ REMOVAL OF MARKETING PRODUCTION OBSTACLES AND REFORM OF RESOURCE ALLOCATION PROCESS. SHOULD GOZ TAKE ACTION AND IMPLEMENTATION STEPS OUTLINED REFS B AND C,

AMOUNTS CITED ABOVE WOULD BE APPROPRIATE IN HELPING TO MEET INTERNAL DEMANDS. WHAT PART OF THIS MIGHT BE CONSIDERED FOR CONFIDENTIAL

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ASSISTANCE FROM THE "FIVE" WOULD DEPEND ON GOZ STOCKS, PIPELINES, RESOURCES, OTHER ASSISTANCE. WE ALSO RECOGNIZE THAT IMPLEMENTATION OF ALL SUGGESTED REFORMS WILL REQUIRE TIME AND FULL IMPACT WILL GO BEYOND THREE-MONTH TIME SPAN OF WORKING GROUP PROJECTION.
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